

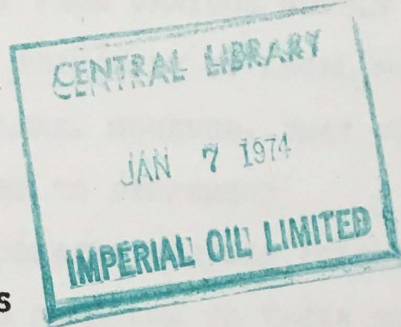
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The following statement re Exxon's worldwide supply situation and question and answers developed as background information were received by teletype this morning and are forwarded for your information.

Public Affairs Department  
December 22, 1973

Copies to: Board of Directors  
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NEW YORK 21 DEC 73 1800 JS

IMPERIAL OIL LIMITED TORONTO FOR RE LANDRY

FOLLOWING STATEMENT IS PROVIDED AS A SUGGESTED BASIS  
FOR AFFILIATE RESPONSE TO

MEDIA AND PUBLIC REQUESTS FOR INFORMATION RELATIVE TO EXXONS  
WORLDWIDE SUPPLY SITUATION AND OUR ATTEMPTS TO DISTRIBUTE  
AVAILABLE OIL SUPPLIES AMONG OUR WORLDWIDE CUSTOMERS. WE ARE FOR-  
WARDING SEPARATELY A SERIES OF QUESTIONS AND  
ANSWERS RELATIVE TO OUR POSITION TO ASSIST YOU IN THESE CONTACTS.  
THIS STATEMENT SHOULD NOT BE VOLUNTERED AS A COMPANY PRESS RELEASE  
NOR LEFT WITH INTERVIEWING PRESS PEOPLE  
TEXT OF STATEMENT FOLLOWS:

" AS AN INTERNATIONAL SUPPLIER OF PETROLEUM CRUDE AND PRODUCTS  
EXXON HAS COMMITMENTS AND OBLIGATIONS TO CUSTOMERS ALL OVER THE  
WORLD. AS THE RESULT OF A SERIES OF CUTBACKS IN PRODUCTION BY THE  
ARAB STATES, THE CRUDE AVAILABLE TO EXXON AFFILIATES HAS BEEN REDUCED  
BY 1.3 MILLION BARRELS A DAY OR BY ABOUT 18 PERCENT. WITHIN THE  
CONSTRAINTS OF TODAY'S EXCEEDING COMPLEX ENVIRONMENT  
EXXON HAS BEEN ATTEMPTING TO DISTRIBUTE REMAINING SUPPLIES  
ON AN EQUITABLE BASIS  
AND IN ACCORDANCE WITH HISTORICAL SUPPLY PATTERNS.



UNDER NORMAL CONDITIONS, THE MIX OF CRUDE OIL AND/OR PRODUCTS PROVIDED TO ANY ONE COUNTRY FROM VARIOUS SUPPLY SOURCES IS RELATIVELY FLEXIBLE AND IS DETERMINED PRIMARILY BY LOCAL MARKET REQUIREMENTS. IT HAS BEEN INCREASINGLY CLEAR, HOWEVER, THAT OIL CUTBACKS AND EMBARGOES, VARIOUSLY APPLIED TO DIFFERENT CONSUMING COUNTRIES, HAVE CREATED SERIOUS INEQUITIES IN OIL DISTRIBUTION. THE PREFERRED SOLUTION TO THESE DIFFICULTIES WOULD BE INTER-GOVERNMENTAL ARRANGEMENTS FOR SHARING THE REDUCED OIL SUPPLIES. EXXON HAS REPEATEDLY URGED THE U.S. AND OTHER IMPORTING COUNTRIES TO SEEK SUCH ARRANGEMENTS.

UNFORTUNATELY, THERE HAS BEEN LITTLE PROGRESS IN THIS RESPECT AND WITH THE PASSAGE OF TIME, A NUMBER OF COUNTRIES IN EUROPE MOST HEAVILY DEPENDENT ON ARAB OIL ARE EXPERIENCING SEVERE ECONOMIC AND SOCIAL DISRUPTIONS. SINCE GOVERNMENTS HAVE NOT AGREED ON AN INTERNATIONAL SHARING ARRANGEMENT, INTERIM ADJUSTMENTS TO EXXONS INTERNATIONAL DISTRIBUTION SYSTEM ARE BEING MADE IN AN EFFORT TO PROVIDE RELIEF TO THOSE CUSTOMERS HARDEST HIT. FURTHER DELAY WOULD RESULT IN DRASTIC AND INTOLERABLE SHORTAGES IN THESE COUNTRIES BY THE FIRST QUARTER OF 1974.

EXXON CONTINUES TO STRESS THE URGENCY OF CONSUMING GOVERNMENT AGREEMENT ON AN INTERNATIONAL SHARING PLAN AS THE ONLY EFFECTIVE MEANS OF DEALING WITH THE WORLD SHORTAGE

G.H. LEWIS



FURTHER TO OUR DECEMBER 21 CABLE ATTACHED ARE A SERIES F QUESTIONS  
AND ANSWERS DEVELOPED AS BACKGROUND INFORMATION FOR AFFILIATE  
RESPONSE TO MEDIA AND PUBLIC REQUESTS RELATIVE TO EXXON'S WORLDWIDE  
SUPPLY SITUATION AND OUR ATTEMPTS TO DISTRIBUTE AVAILABLE SUPPLIES  
AMONG OUR WORLDWIDE CUSTOMERS.

TEXT OF QUESTIONS AND ANSWERS FOLLOWS:

Q.1 WHICH EUROPEAN COUNTRIES WILL BENEFIT FROM EXXON'S ACTIONS?

HOW DOES THEIR CURRENT OIL SHORGAGE COMPARE WITH THE U.S. ?

A. THE EFFECT OF ARAB OIL CUTBACKS ON THE EUROPEAN MARKET  
AS A WHOLE IS TO REDUCE SUPPLIES BY ABOUT 18 PERCENT OF DEMAND  
OVER THE 1973/74 WINTER

PERIOD. THIS SHORGAGE INCREASES TO 37 PERCENT IF SHARP CONSUMPTION  
CUTBACKS ARE NOT INVOKED AND NO SUPPLY ADJUSTMENTS ARE MADE UNTIL  
THE 1ST QUARTER 1974.

IN COMPARISON. U.S. SUPPLIES HAVE BEEN REDUCED BY AN ESTIMATED  
12 PERCENT OVER THE WINTER PERIOD.

WE DO NOT HAVE PRECISE NUMBERS ON INDIVIDUAL COUNTRY SHORTAGES  
BUT THE NETHERLANDS, BECAUSE OF THE TOTAL OIL EMBARGO, IS SUFFERING  
THE MOST SERIOUS CUTBACK. BELGIUM, WEST GERMANY AND DENMARK,  
WHICH DEPEND ON CRUDE AND PRODUCT TRANSSHIPPED FROM THE PORT  
OF ROTTERDAM, HAVE ALSO BEEN SERIOUSLY AFFECTED.

Q.2 WHICH COUNTRIES WILL LOSE OIL SUPPLIES AS THE RESULT  
OF EXXON'S ACTIONS?

WHAT IS THE MAGNITUDE OF THE LOSS AND WHEN WILL IT START?

A. ON THE BASIS OF SHARING AVAILABLE SUPPLIES, MODERATE VOLUMES  
OF ADDITIONAL CRUDE WILL NOW MOVE TO EUROPE. THE EFFECT ON  
INDIVIDUAL COUNTRIES IS RELATIVELY SMALL. WE CANNOT STATE MORE  
PRECISELY THE MAGNITUDE OF THESE MOVEMENTS OR HOW LONG THEY WILL  
CONTINUE SINCE THEY REPRESENT ONLY INTERIM ADJUSTMENTS AND ARE



BEING CONTINUOUSLY REVIEWED  
IN THE LIGHT OF INDIVIDUAL AREA REQUIREMENTS.

Q. ~~2~~<sup>3</sup> WILL ANY ARAB OIL UNDER EMBARGO OR ALLOCATION BE INVOLVED?  
WHICH SPECIFIC CRUDES AND PRODUCTS ARE AFFECTED?

A. EXXON HAS NO CHOICE BUT TO COMPLY WITH THE CRUDE CUTBACKS,  
EMBARGOES AND DESTINATION RESTRICTIONS IMPOSED BY THE ARAB PRODUCING  
COUNTRIES. NON-COMPLIANCE WOULD ONLY  
FURTHER DECREASE IF NOT SHUT OFF COMPLETELY OUR ACCESS TO ARAB CRUDE  
SUPPLIES. DETAILS ON SPECIFIC CRUDE MOVEMENTS HAVE NOT BEEN  
FULLY WORKED OUT TO DATE.

Q. 4 ARE ANY CRUDE OR PRODUCTS TO BE EXPORTED FROM THE U.S. ?

A. NO MOVEMENT OF U.S. CRUDE OR PRODUCT IS INVOLVED IN THIS  
ACTION.

Q. 5 AS AN AMERICAN COMPANY, DOESN'T EXXON BELIEVE ITS FIRST  
OBLIGATION IS TO ITS AMERICAN CUSTOMERS AND THE AMERICAN ECONOMY?

A. OF COURSE EXXON RECOGNIZES ITS OBLIGATIONS AS AN AMERICAN  
COMPANY, HOWEVER, ITS OPERATIONS AND OBLIGATIONS ARE WORLDWIDE.  
THE CORPORATION IS ACTIVE IN OVER 100 FOREIGN COUNTRIES AND  
APPROXIMATELY 60 PERCENT OF OUR SALES AND TOTAL ASSETS ARE LOCATED  
OUTSIDE THE U.S. AS THE RESULT OF THE VARYING DEPENDENCE ON  
ARAB OIL, CERTAIN OF THESE COUNTRIES ARE  
EXPERIENCING SERIOUS<sup>S</sup> INDUSTRIAL AND SOCIAL DISRUPTION.

A MORE EQUITABLE DISTRIBUTION OF AVAILABLE SUPPLIES TO PROVIDE  
SOME RELIEF TO THESE CUSTOMERS HARDEST HIT SEEMS ONLY FAIR.  
NO EXPORT OF U.S. INDIGENOUS CRUDE OR U.S. PRODUCED PRODUCT IS  
INVOLVED IN THIS ACTION.

THE PREFERRED SOLUTION IS THE ONE WE HAVE REPEATEDLY URGED ON THE  
U.S. AND OTHER IMPORTING GOVERNMENTS-- THIS IS AN INTERNATIONAL  
ARRANGEMENT FOR SHARING THE LIMITED OIL SUPPLIES.

Q.6 ARE WE REDUCING SUPPLIES AVAILABLE FOR JAPAN? ISN'T JAPAN MORE DEPENDENT ON IMPORTS THAN ANY EUROPEAN COUNTRY?

A. IT IS TRUE THAT JAPAN IMPORTS OVER 90 PERCENT OF ITS OIL REQUIREMENTS. HOWEVER, THE EFFECT OF SELECTIVE EMBARGOES AND CUT-BACKS OF ARAB OIL HAS BEEN TO REDUCE OIL IMPORTS TO SOME EUROPEAN COUNTRIES BY MORE THAN 40 PERCENT WHILE JAPANESE IMPORTS HAVE ONLY BEEN REDUCED BY ABOUT 15 PERCENT OF WINTER 73/74 DEMAND.

Q.7 BY MOVING PLUS CRUDE TO EUROPE, ISN'T EXXON SELLING ITS PRODUCTS IN THE MOST PROFITABLE MARKET?

A. THE CASE OF SHARING AVAILABLE SUPPLIES AND PROVIDING SOME MEASURE OF ASSISTANCE TO CUSTOMERS HARDEST HIT HAS BEEN MADE ON THE BASIS OF NEED AND LOGISTICS. ECONOMICS HAVE NOT ENTERED INTO OUR CONSIDERATIONS''  
G H LEWIS



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December 28, 1973

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D.R. GRACEY

cc: Board of Directors

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